

## LEARNING TO SUCCEED – POST-16 FUNDING: SECOND TECHNICAL CONSULTATION PAPER – COUNCIL’S RESPONSE

### INTRODUCTION

1 Council staff and practitioners have been involved in the preparation of the two new documents. The Council is committed to working with government and other partners to model and design practical arrangements that will work effectively to ensure a smooth transition to the new system from April 2001. It will be important for all those involved with development and operation of the new system to see the outcome of the detailed modelling and to assess its impact before taking final decisions.

### RESPONSE TO KEY QUESTIONS

#### CHAPTER 2A – STRUCTURE OF THE FUNDING FORMULA

**Do the proposals strike the right balance between the need for providers to be clear as to funding principles while ensuring sufficient flexibility to meet evolving needs?**

2 The Council supports the four tests set out in paragraph 2.8 which have been used to design the formula. Their application appears to have resulted in proposals which have got the balance right. The Council is committed to working with partners of model and design practical operational arrangements. It will be important to see the outcome of the detailed modelling and assess its impact before taking final decisions. The sooner clear information is available the better providers will be able to plan and prepare for the changes.

3 The Council supports the notion of a single coherent and flexible funding system to replace the five systems that are now in use. The Council is particularly concerned that the proposals for separate Rates Advisory Groups for the LSC and the Employment Service, together with the possibility of different on-programme weighting categories for work-based learning for young people have the capacity to undermine the concept of the single system from the outset. **The Council strongly urges government to reconsider these aspects of the proposals.**

#### Eligibility for funding

4 A key question that is not addressed in this consultation is what is it that the LSC will fund, that is, what provision will be eligible. There are issues in relation to both qualifications and courses. In relation to qualifications, many of them will be accredited by the Qualifications and Curriculum Authority (QCA) as part of the national qualifications framework and the assumption is that these will be recommended to the secretary of state for approval for the purposes of public funding. This is likely to leave many qualifications, particularly for adult learners, without such approval, and QCA’s accreditation timetable does not envisage that all will have been considered for accreditation before the end of 2002. With the ending of schedule 2, the LSC will be able to fund a wider range of courses, many of which will not lead to qualifications.

5 Schedule 2 provided the FEFC with categories and associated criteria for the provision it could fund under the 1992 Further and Higher Education Act. The LSC will either need guidance on what courses it should fund or will need to develop its own criteria. In the absence of any regulation for courses, there is also likely to be a need for a quality assurance system for the courses that providers wish to offer. With finite funding there will be an issue of priority for public funding, for example, the extent to which the LSC gives priority to those courses which lead to qualifications or progression. There is a further issue of the LSC potentially assuming funding

responsibility for provision currently funded by other agencies, for example, in the case of some adults with severe learning difficulties, for provision currently funded by social services or health authorities. The FEFC has estimated that this could amount to £50 million per year. The issue of eligibility for public funding is also related to the fees issue and what provision should be funded by individuals and employers rather than from the public purse. **The Council urges the secretary of state to provide clear guidance to the LSC on the criteria he would wish to see deployed to fund non-certified provision.**

## **A public FE sector**

6 An issue which requires to be addressed is whether there should be a differential funding rate between public and private sector providers. There are two main considerations, one of principle and one empirical. The issue of principle is whether the government wishes to secure a core FE sector largely funded through the public purse. The statutory duty imposed on the FEFC to secure 'adequate and sufficient provision' through flowing funds to FE sector colleges has overridden so called market forces. In other words, the Council has had to 'bale out' colleges where otherwise their demise would have led to a shortfall of provision. The LSC will be able to fund a much wider range of provision and appears to have no legislative imperative to favour, nor even sustain an FE sector.

7 The argument for so doing rests on similar grounds to those in favour of the NHS or the BBC, that is the need to provide core public services which pure market forces may not sustain. As private training providers access LSC funds, there is a worry that they will naturally focus on relatively lucrative niche programmes such as IT and business studies. These are the very courses which tend to subsidise minority provision in colleges which take as their mission ensuring a truly comprehensive programme offer. If this service is valued, it needs to be protected and there are a number of funding options for doing so including:

- making an institutional grant prior to applying a common formula per student
- taking more detailed account of costs in establishing national rates
- maintaining a differential rate of funding
- ringfenced funding for colleges.

8 The Council has until recently eschewed an institutional factor, for example, to recognise size of institution or relative isolation. However, pending a detailed review of cost weighting factors, an institutional factor has been brought in to protect specialist FE colleges.

9 The second option would mean taking account of 'loading' not length of course which is the currently proposed main determinant of price. Such an approach would take into account that average class sizes for full time 16-19 year olds would be higher than a similar class for adults. The Tariff Advisory Committee has established a group to explore this issue in the wake of contentious issues which have arisen following implementation of the Curriculum 2000 funding arrangements.

10 The third option can be empirically sustained in that the study undertaken by KPMG for the second stage funding review group found that private providers operated at around two thirds of the cost of colleges. This led to the one third discount applied to non-community based franchising.

11 A fourth option would be to ringfence certain funds for colleges such as capital funding where the preservation of a minimum level of service is appropriate. The FEFC was established to fund and develop the FE sector. **The Council encourages the government to articulate its vision**

**for the future of the FE sector and where appropriate to protect a core publicly funded FE sector to ensure access to lifelong learning across the entire range of provision.**

**In relation to Government policies on equal opportunities, is the formula sufficiently flexible to support these?**

12 The Council welcomes the proposal that the LSC should mount a thorough review of the method of indicating disadvantage across all post-16 learning, drawing on the work undertaken by the FEFC. In particular research needs to be undertaken on the actual additional costs incurred in ensuring that disadvantaged learners take part and succeed. In addition, the review should consider the scope for including within the national formula opportunities for local LSCs to include specific groups or geographical areas (for example pockets of deprivation within otherwise prosperous areas) within the formula which are relevant to meeting local targets. While some approaches to targeting would be inappropriate nationally, the same approach applied locally might be a valuable strategy for implementing government policy through mainstream, rather than non-formula funding. This is essential, if the government's drive to embed equal opportunities as an essential component of post-16 learning is to succeed.

## **CHAPTER 2B - FUNDING LEARNERS WITH ADDITIONAL NEEDS**

**Is the continuation of the matrix for specialist colleges, and adaptation of the current FEFC approach for FE providers, the best interim approach while a new matrix is being developed?**

13 The interim approach is supported. However, to ensure a smooth transition, detailed work needs to be undertaken on the implications of the legal responsibilities of the LSC, following the introduction of the new legislation (in particular for securing boarding provision and post-16 special education provision outside maintained school (including special school) post-16 provision), while LEA funding for these students does not transfer to the LSC until April 2002. (See also response to 2D below.)

14 In relation to the lower levels of additional support within FEFC funding, guidance will need to be prepared on the calculation and allocation of the earmarked cash budgets for additional support. The system should aim to achieve as close a fit as possible with the Council's current arrangements for additional learning support.

15 It will also be essential to ensure that while funding for these students is treated outside the normal funding arrangements, that providers see their responsibilities for the students as an integral part of their missions, not something tacked-on from outside.

**What interim approach should be adopted for the work-based training route?**

16 One approach could be to maintain the funding per learner at broadly current levels, using individual negotiation with providers and earmarking in a similar way to that proposed for further education providers. The LSC should undertake a comprehensive review of students, provision and payments to inform the development and implementation of the matrix approach in future.

**What are the desirable features of the longer-term matrix?**

17 As well as those features identified in the document, it should be equally credible with administrators, practitioners and with learners, their families and advocates: it should be comprehensive, it should be capable of consistent interpretation nationally and it should map to any

related indicators used by schools or other agencies that may be involved with the individual before, during and after their post-16 learning.

## **CHAPTER 2C - LEARNER FEES AND EMPLOYER CONTRIBUTIONS**

**Will the proposed approach allow providers sufficient flexibility to manage their organisations while also ensuring that learners and employers know where they stand and are being treated equitably?**

18 The proposed policy on free tuition for all 16-18 year olds is different from that currently operated by the FEFC for full-time students. The FEFC's fee remission policy applies throughout the course to a student aged under 19 years at the time he or she registers to take it. Thus, at the time when the government is introducing for the first time an entitlement to free 16-19 education and training there would be an actual reduction in the numbers of full-timers receiving fee remission in further education. The potential imposition of fees at age 19 part-way through a course could lead to students withdrawing from courses as their often fragile arrangements for financial support collapsed. The withdrawal of free tuition would coincide with the withdrawal of family eligibility for child benefit and related passported benefits. **The Council recommends that at least the Council's current policy be included in the LSC arrangements.**

### **Disadvantaged students**

19 The withdrawal of tuition fee support would affect disproportionately students with learning difficulties and/or disabilities who generally need more time to complete programmes successfully. It would also militate against those young people in further education who had successfully come through the Learning Gateway to access courses but a year or so later than their peers. It is hard to understand why those aged 19-24 taking up FMAs and AMAs (in particular those with employed status) are not required to contribute a proportion to the publicly-funded costs of their programmes, while those in further education are. In addition, a 19-24 year old receiving free tuition through job seekers' allowance would be under pressure to give up the course to take up work, rather than complete their qualification. While there is some scope for colleges to use access funds to ameliorate the difficulties experienced by these students it would be preferable for them to be addressed more systematically through national arrangements rather than piecemeal by individual colleges.

### **Location**

20 It is proposed that those learners who do pay will make a contribution of 25% of programme costs (other than for disadvantage or additional learner support). If this policy is applied as stated the implication is that higher fees will be charged for example to individuals pursuing agricultural and catering courses in Cumbria than to those taking sociology in the same area. Fees in London would be higher for all types of provision than elsewhere. This does not accord with the approach to fees in higher education where the student pays a flat fee contribution, irrespective of location or subject studied. It is unfamiliar to and untested in further education and has the potential to influence students to make undesirable choices. It is not known whether the arrangements for Individual Learning Accounts will be designed to compensate for this effect.

### **Excess Fees**

21 The Council supports the proposal that the LSC reviews and considers the minimum fee issue. On excess fees, the proposal that providers should not charge a higher fee has the potential to disrupt arrangements for current providers for adult and community education in its widest sense

(i.e. including some current schedule 2 provision). The ability to have flexible fee arrangements is an essential ingredient of managing resources locally to maximise and widen participation and to reallocate resources to target groups at the same time and responding to traditional markets. The requirement for such a policy could easily be evaded by raising registration fees and material costs. The current policy should not be changed before the review recommended in 2.66 has been concluded.

### **How should we address the issue of increased employer contributions for some job-related training?**

22 The Council agrees that it is not possible to define 'job-related training' in such a way as to allow a simple across the board approach to fee policy. More support should flow to employers needing to provide basic skills, entry and foundation programmes leading to nationally-recognised qualifications, than to higher level qualifications or programmes not leading to recognised qualifications. In addition there needs to be a differentiated approach to employers. More public support should flow to small and start-up firms than to larger ones. The Council supports a graduated approach, linked to local circumstances and integrated with workforce development. The approach could also include assessment costs. This approach should be within the constraints of a national framework and guidance to ensure consistency, but which also recognises the need for local interpretation to ensure flexibility and responsiveness to circumstances.

## **CHAPTER 2D - TRANSITION**

### **Do the proposed arrangements offer the right levels of reassurance to learners, employers, providers and schools about a relatively smooth and seamless change to the new arrangements?**

#### **School Sixth Forms**

23 The Council is concerned that while school sixth forms have been given a real terms funding guarantee provided numbers do not fall, the proposals appear to imply that the further education sector is only to be offered 90% cash protection. Currently if targets are achieved, the Council's present policy offers 100% cash protection. The 90% is a safety net where colleges underachieve their targets. It would be helpful if government could clarify the proposals to show that at the very least the current policy is to be maintained.

#### **Learners with Special Needs**

24 Particular account needs to be taken of the transitional arrangements for students with special needs, special schools, in particular the application of the funding guarantee to maintained special schools and the arrangements for day and special schools which are not maintained by local education authorities. Consideration also needs to be given to the arrangements in place for students to gain places at specialist establishments making day provision. (See also response to 2B above.)

#### **European Social Fund**

25 Particular care should be taken with transitional arrangements for ESF. The arrangements the Council has developed to deal with European funding mean that ESF income and match-funding are both integral parts of institutional planning and budgeting. To avoid the destabilisation of some institutions, in particular some smaller institutions that are highly dependent on these

funds, it will be vital that the transitional arrangements take specific account of this dimension of funding.

### **Will they operate equitably across all sectors?**

26 The extent to which the new arrangements will operate will, at least partly, depend on the outcome of the detailed modelling later this year which will show the impact of the new arrangements on different types of provider. It seems likely that different types of provider will have different convergence paths. The over-riding argument of protecting provision for learners and of avoiding destabilisation is likely to be accepted as an initial starting point. The extent to which the arrangements are collectively perceived to be equitable in the medium to longer run will depend on the balance, both nationally and locally, between those (both within sectors and between sectors) who gain from the new arrangements and those who do not.

## **CHAPTER 3 - YOUNG LEARNERS**

### **Do the proposed funding arrangements for A/AS levels and vocational A levels offer the right degree of clarity for schools and FE providers to plan successfully to meet Ministers' policy intentions?**

27 The proposed arrangements offer the right balance between simplicity and flexibility. The perception of providers is likely to be significantly influenced by comparisons of the actual funding they will receive, compared with that which they receive now.

28 It would be helpful, particularly for further education providers, for government to encourage the application of 'Qualifying for Success' principles and funding arrangements to young people on foundation and intermediate programmes and to establish the extension of the entitlement of individuals who are successful in these programmes and with the potential to succeed to continue their studies to level 3.

### **Will the proposed arrangements for work-based training for young people ensure that the new AMA and FMA frameworks are supported by the right funding approach?**

29 The proposed arrangements provide a funding framework within which the new AMA and FMA frameworks can be developed. Great care will be needed in implementing simultaneously such a significant cluster of changes for individual providers. Sensitive transitional arrangements and particularly close liaison between the LSC and the ES will be needed.

## **CHAPTER 4 - FUNDING BLOCK SYSTEM**

### **Is the proposal sufficiently fine-grained to distinguish between the many different types and lengths of provision - often part-time, mainly adult - while avoiding excessive bureaucracy?**

30 The proposal strikes the right balance between simplicity and flexibility. Experience from FEFC suggests that intensive work with practitioners to clarify some difficult areas of application and implementation and the preparation of clear guidance for providers in advance would be helpful. For example, clarity is needed about the definition of an adult, issues such as Accreditation of Prior Learning and Experience need to be addressed. Details on rules to determine how the funding of a programme consisting of qualification aims with different programme weightings will be needed. Is achievement to be proportional to the overall cost of the course, for example including disadvantage and additional support or only the programme cost? Discussions

will also be needed with practitioners to anticipate and take into account the likely impact of the proposals on providers' behaviour.

31 The funding system must also be capable of funding units of qualifications. In 2000-01 the FEFC is extending its unitisation pilot to fund programmes made up of units of qualifications. These will be designed by colleges to encourage more adult participation and will enable flexible combinations of units to be offered where traditional whole qualifications do not meet learner needs.

## **CHAPTER 4 - ADULT LEARNERS**

**Will the funding arrangements give appropriate support to Ministers' policy objectives in the key areas of:**

### **(a) basic skills**

32 The funding arrangements appears appropriate. However, if government objectives are to be achieved it will be essential for LSC to be able to provide funding for basic skills for those in the workplace, and to highlight employer commitment to improving basic skills as a threshold for receiving workforce development funding. It will also be essential to have basic skills strategies (and funding to support them) for those not in the workforce. This will require joint working in particular with Connexions and ES.

(The example in 4.19 understates the funding available as it omits the widening participation factor (currently 8%) FEFC would provide for the student.)

### **(b) UfI**

33 In relation to on-line learning, the Council agrees that the funding system must be flexible enough to fund on-line learning including bite-size pieces of learning, irregular patterns of learning and non-qualification provision. The LSC needs to establish, as a matter of urgency, an in-depth review of eligibility for public funds and funding arrangements for on-line learning, building on the work currently being undertaken by FEFC and UfI.

### **(c) Adult and Community Learning**

34 The Council supports the proposal for a combination of national funding, development funding and local discretion. As soon as is reasonably practicable, the LSC should move to a single integrated plan from each local authority, including the provision which is funded by FEFC, that which is currently funded by the LEA and that which is currently funded by TECs. In this way the full contribution of the LEA can make to achieving government priorities through meeting local needs can be recognised and its change and development supported. The role of the further education sector with an emphasis on the work of the non-schedule 2 pilots, the specialist designated institutions which have been funded for non-schedule 2, in particular the WEA, needs to be taken into account in developing such plans.

### **(d) engaging residents of the most socially disadvantaged communities in learning?**

35 Please see responses relating to the disadvantage element, fees for individuals, basic skills and adult and community learning.

36 The Council believes that one of the key building blocks for widening participation for adults is to fund a coherent system of learning based on programme steps (often referred to as unitised or credit accumulation system).

## **CHAPTER 5 - ES PROVISION**

**Will the proposed arrangements support the type and range of provision for which the ES has responsibility?**

37 The ES is best placed to respond to this question in detail. It is however clear that very close liaison will be needed between LLSCs and ES locally, in particular where both are dealing with the same provider, in relation to any funding differences, issues of joint concern (e.g. basic skills) and on volumes of provision planned.

## **CHAPTER 6 - TRAINING ALLOWANCES**

**Will the proposals ensure that trainees are appropriately supported while undertaking work-based training for young people?**

38 The Council supports the government's longer term strategy to consider ways of bringing together all the existing forms of financial support for young people. The Council considers that a fundamental review of all aspects of the existing system both for young people and adults, including the impact to date of the initiatives introduced since the government came to power should be undertaken as soon as is practically possible. The current patchwork of provision between areas and sectors has the capacity seriously to undermine the government's objectives, in particular to bring about a step change for those in the most disadvantaged communities.

## **CHAPTER 7 - FE CAPITAL**

**Should the LSC allocate funds to assist the development and enhancement of ILT and IS/IT services and, if so, on what basis?**

**Should further priority be given to funds for the renewal and enhancement of equipment and should FE colleges be required to ring-fence 2% of their recurrent funding for capital purposes?**

39 The requirement for colleges to spend 2% of their recurrent allocation arose when the government withdrew separate capital funding. With hindsight, the Council might have withdrawn this requirement when a separate capital line was re-introduced in 1999-2000. It should certainly not be retained under the new system. The LSC should provide guidance setting out steers and expectations related to good practice and future needs. The LSC's policies for development funding, allocations and quality improvement, together with the inspectorate's framework for assessing quality would provide the incentives for providers to make appropriate investments. The expenditure of institutions on ILT should be monitored and benchmarks provided.